

Thanks, it's a treat to be back here at the 3 of the Bund. Thank you all for coming up. There are some open seats on the back, if someone wants to sit down. I know, some of you have read *The World is Flat* and those who haven't I know who you are. And by my Chinese publisher, Chinese language publisher, but there are two-point editions of the world is flat. What I share with you is my updated thoughts on the work actually working on the three-point edition book. To really understand this book, you have to understand that this book came out completely by accident. I will tell you how it planned and figured out I became the New York Times columnist in January 1995. and between Jan, 1995 and Sept. 11<sup>th</sup> 2001, my columns really isolated from what I would call wax issues and of the three issues of globalization, internet technology and issues of traditional geopolitics ethnic complexes. I sort of went back to river valley and Silicon Valley. I was there until Sept 11<sup>th</sup>, 2001. and when that happened I really dropped of my globalization side of my column. And next three years covering the tree wars. I spent almost all of my time in the a....world. During that time I made a trip back to Silicon Valley to visit a started companies and some of my friends are involved in, something called Google. I did one column about Google and then went back to Kabul. It was sort of the mode I was in. later until Jan, 2004 when I started doing documentary for the Discovery Channel. We've done one of the roots of 911, we've done one of the roots of the wars in the West Bank. In Jan, 2004 we were sitting round with our Discovery team trying to figure out what we should do on our next documentary. At that time the issue on the world stage is 'why does everybody hate America?' I think we should do a documentary on that. It deserves everybody who hates America. How should we do that? Well, I had this crazy idea. What we should do is to go to the core centers, all of the world and interview young people, foreigners who spend their days imitating Americans on what they think of Americans. It makes an interesting double mirror of America. We were budgeting which countries we were going to, Sri Lanka, Phillipine, India, Poland, all the core center countries. When suddenly in the middle of this budgeting discussions, John Kerry came out. He was the Democratic presidential candidate and he talked about the bandia....CEO. and the outsourcing has just come to the world stage. The front page of New York Times and Washington Post. So I think we were in the time out. Why we just go to the Bangalore India? The capital of outsourcing. And let's do the documentary on the other side of outsourcing. And explaining this phenomena from the ground up, so as we did. I set off for Bangalore with my Discovery crew on Feb, 2004. and we shot about 60 hours for interview in the course of 11 days and across the 60 hours of interview I got progressively sicker and sicker. It's about the Indian entrepreneurs who wanna prepare the American tax returns from Bangalore and the Indian entrepreneurs who want to have the softwares from Bangalore and my Indian entrepreneurs who want to trace my lost luggage. I got the really sick feelings that why I have been sleeping, why I have been covering the all of tree wars or 9-11? Something really big that had happened in the globalization story and I had completely missed it. And all that came up together in the last view when I met CEO of the Microsoft of India. He sat on his couch outside his office, I had my laptop on my lap. The crew were setting up and the cameras were in the office. I wouldn't talk about my 11 days in Bangalore. I am gonna tell u the global economic platform is being flattened. And the What I'm trying to say is the

global economic trend is being leveled and you Americans are not ready. So I input it into my laptop. I did the interview when I got back to my jeep my Indian driver drove me back all the way to the hotel, and all the way back I kept rolling in my mind that the global economy is being leveled and another thing about it is that it is flattened and then someone told me that the global economy was flat. And the chemical way these things happen. It just popped into my head. Indian entrepreneur was telling me the world is flat. I looked down in my notebook---the world is flat. I got back to the hotel in Bangalore. I went back to my room and I called my wife' Honey, I'm gonna write a book called the world is flat.' She now thought it was a brilliant idea, that's not how I remembered the conversation, but anyway I came to my boss of Newyork Times. Basically, I need to go on leave immediately. I needed to go immediately, because my software the form with which I looked at the world is out of date. And I am gonna write something stupid in Newyork Times. It's a great way if I wanted to leave. So I started this book in March 2004, I turned it in December. Don't try this trick at home kids. I did all my forums along the way but in the company of passion and curiosity trying to explain to myself how the world is flat. There are three eras of globalization. The first era I call it globalization 1.0. It lasted from 1492 until the early 1800. It trunks the world from size large to a size medium. And that globalization is spearheaded by country-globalization. You went global through your country. Countries searching for resources and pure power or religious expansion in Spain exploring the world, Britain colonizing, Portugal, in East Asia. The globalization 2.0 lasted from early 1800 to 2000. It just ended. It trunks the world from size-medium to size-small. And that globalization was spearheaded and dominated by companies-globalization. Companies globalizing for markets and for labour. You went global in those years through your company. While you were sleeping and the reason why I was sleeping, we entered globalization 3.0---the year 2000 to the present. It shrinks the world from size-small to size-tiny and flattening the global economic playfield at the same time. It's really new and really terrifying. This era of globalization is not built around the countries, and it's not exclusively around the companies. It's built around individuals. It's really new, really exciting and really terrifying. It's the degree to which this globalization, the individuals are not in power and required enabled and enjoyed to globalize themselves. As individuals competing with other individuals, connecting and collaborating around the world. So we brought from a globalization built on a country to a globalization built on a company to a globalization increasingly built on the individuals. How did we get here. How we got through here is in the second part of the book---the ten days that flatten the world. What we knew is the God created the world in six days and rested on the seventh. He or she flattened it in ten. The ten-days technology and companies that came together to create this global flat playfield. Let me go through them quickly. The first one is a date and the date is 11.9<sup>th</sup> 1989 which is the celebration of 17<sup>th</sup> anniversary. Not 9-11, 11,9<sup>th</sup>. Because of the wonderful cabalism and accident of the dates, the Berlin wall fell on 11,9<sup>th</sup>. Not 9-11, 11,9<sup>th</sup>. When the walls came down, the windows came on because on another wonderful accident of date, the windows operating system 3.0 day through system shift after the fall of Berlin Walls. So these two things happened at the same time, the walls came down and the windows came up. Why was that a huge flattener? That was a huge flattener for a couple of reasons, one is that the fall of the wall is

what allows the simple wall against the simple world planet. The fall of the Berlin wall is somewhat like the American southern policy and northern policy and its eastern policy and western policy. Another thing I would talk about America is global policy. You couldn't have a policy as a country or a company because there is war in the way. It allows us to think the world is flat and we have a single flat planet. And the rise of the personal computer is where the era of individual globalization starts. Why? Because the windows-enabled computer is what enables individuals. Individual, for the first time in history has become the authors of their own contents in digital form. Now we gonna think about each one of the words. It was since cave woman and cave man. But since the computer, we as individuals has become authors of ourselves. Words, data, video, in digital forms, in the form of bits and bites. When your content is in digital form, could be created in digital form, it could be manipulated, shaped, transmitted in so many more ways. And that leads to the second flattener. The second one is also a date 8,9<sup>th</sup> 1995. I consider it the most important date in the world history, certainly one or two of the most important days in your life. Because on that date, a small-started computer company in Mt. Review California called Netscape went public. And the world had never been the same since. And the world would never be the same since. Why was Netscape such a huge flattener? First it's because of its product. Netscape's product is a browser. The Netscape browser for the first time allowed the individuals to illustrate on a computer screen everything that is locked away in the internet files. And the internet browser, which we now think of the Microsoft Explorer, Firefox, these browsers make everything lose their way on the internet. And it was the Netscape browser, free downloadable, easy to use, which actually brought internet to life. It was the Netscape browser that make internet using accessible to grandma and grandpa, grandson and grand-daughter with equal facility. That was the first reason why Netscape was such a huge flattener. Second reason is that the public offerings of Netscape, the IPO on the morning of 8,9<sup>th</sup> 1995 is the trigger of '.com' bubble. And that triggered the crazy, absurd, ridiculous, outrageous, overinvestment of 1 trillion dollars into the fiber optic cables in five years. And it was that crazy, absurd, ridiculous, unplanned overinvestment of a trillion dollars that accidentally with no body planned meet Beijing Bangalore and Shanghai, all next-door neighbours. With nobody planning, we accidentally created the a global world with fiber optic cable. Anyone could send their digital anywhere in the world virtually for free. Remember when Netscape went public priced at 28 dollars, Morgan Stanley investor Baker wanted to make it at 32, and the Netscape said No, no no. If this start fails, I want to be remembered as a 20 dollar spark. Netscape opened that morning at 9am, price at 71 dollars. It closed on the first day at 56. we said there is gold over there. We went out and bought every .COM that moved. When we did, we accidentally, over-invested, in the massive world with fiber optic cable. That is the second flattener. The third flattener is a software a revolution, because it allowed work to flow. You see, they had the personnel department. They got computers and software. All they were so excited. They got the adding machines, book-keeping offices, just one problem here though. The book-keeping department got micro soft windows and the personnel department got SAP and they didn't connect. So whenever there is a problem between book-keeping and personnel, someone of the book-keep has to

walk over the personnel with a piece of paper. We were doing the revolution in software allowing transmission protocols, the alphabets called HTML and HTTP and TCP/IP, you shouldn't need to know all this. That was a revolution. Because when my software could connect your software, mine is in USA, yours is in Beijing, without a delay for one second we got suddenly collaborated. Thanks for the revolution, we got suddenly collaborated on each other's content. These first three flatteners created the genius causes that flatten the world. In 1995 they created a platform for multiple forums of collaboration. So more and more people could collaborate with people on different kinds of things, in different kinds of ways for less money, for more places, any hour of the day, any corner of the world than ever before in the history of the world. Suddenly, at the mid 1990s, we had a platform for collaboration. And the next new kinds of collaborations immediately exploded this platform and flatten the world even more. The first of course, is the outsourcing. Outsourcing is just a new kind of collaboration. So now 3 on the Bund wants to get outsourcing for the book-keeping department to north shanghai, north Beijing, north Bangalore. It doesn't matter on this platform, any option is equally easy. Second reform of collaboration is off-shoring. It's when I take my whole factory from canton Ohio and move it to Canton China. Offshoring takes a whole new big business forward of the platform. The third form of collaboration, I call up-loading. This is the most revolutionary move-on in the collaboration of all. You see, when the world is round, you download, but when the world is flat, individuals can't download their own content. Uploading takes many forms one is open-source software. A bunch of gigs sitting at home reading their Netscape operating system in sort of chatrooms. Microsoft, chief competitors today, is an operating system. Again they sat at home writing there operating system. Why did they do that? Someone did it because they hate mircosoft. I don't but they do. Others do it because they love the pure science of it. Before every reason they gave, they got them from an Microsoft in front of you. They love Microsoft. And they got all the way from huge chores from window to work. Everybody challenges you ,you can cut them on place. Suddenly you biggest co-head is selling their products for free. It's hard to beat free. When I talked about something about Firefox, they told me that it's just like in the zoo. They didn't understand it .but this crowd seem to know the difference. But here is probably what you don't know u don't know where firefox came from. Firefox was produced in open-source by a 19 year old in Stanford collaborating with a 26 year old in New Zeland. They operated it to the world. It was then downloaded ten million times in the first three months. It took 10% of Microsoft Explorer market in about 6 months. It was uploaded. In the old days, when you wondered the opinions on foreign policies, you have them downloaded from old daddy like me. People also upload their voices and their own video, and the mother of all the uploaders---wikipedia, the people are uploading their own encyclopedia, making their own definitions. There is probably a definition of 3 on the Bund on the Wikipedia. I remembered going up to Minnesota in 1950s when the encyclopedia salesman came to our house. I cracked all the books, I loved reading them to all the sections and pictures, then we have the Microsoft, you can download an encyclopedia with your computer system and then along came the wikipedia. It's a monster. IBM today has a company officer whose only job is to monitor the definition of the IBM on the wikipedia. Because IBM has concluded the more viewer

kids are gonna learn about IBM by whatever they read in wikipedia than some other source. You may check what wikipedia says about you. Uploading, this gonna be a revolution. The fourth reason about collaboration, I call it supply chains. It is what Wal-mart does. Only Walmart does it to the last item of efficiency. If Walmart were an country, it would be China's 8<sup>th</sup> largest trading partner today. I heard of Russia, Australia and Canada, we've never seen a supply chain with this kind of level and power. My friend who teaches supply chain just said in MIT' meeting stuff? Oh, it's so overrating. Supply chain now that's really hard.' Think about it. Walmart today is the biggest retail company in the world and it does not make a single thing. It makes a supply chain that gets single things from 75 suppliers around the world to your walmart everyday at a low price. This is a huge flattening force. Fifth force of collaboration is what I call insourcing. It is what UPS does. If you think what they are doing is delivering packages, you are not paying your attention. What they do is insourcing. They come into your company, wait up your neck, wait up your headquarters and insource you. They take over entire internal logistics. A flattening force takes a lot of standards. Let me give you an example. It's about TOSHIBA laptop, it's very popular. One day it breaks, you turn it over and says call 1800 help and the sweet Indian voice at the other end of the telephone line says that take your TOSHIBA laptop to the UPS store. It will be sent to us and we'll send it back repaired in 72 hours. Here is what you don't know. In America, you TOSHIBA laptop actually goes from the UPS store to the UPS hub to the Louisville Airport and at the Louisville Airport your TOSHIBA laptop is repaired by a UPS employee in funny brown shorts. I don't know how to break to you folks. But TOSHIBA is not interested in your laptop. They insource all that to UPS. If a kid wanna repair his sneakers at NIKE.COM, get your shoes on the other side of the screen at nike.com. it's UPS employed. Their employees are busying picking and packing your shoes from a NIKE warehouse state manage, they are shipping them and then collecting the money. See the Papa Johns Pizza traps passing by, guess who's driving? Someone in funny brown shorts. Because Papa Johns pizza has insourced their delivery for their pizzas from their bakeries to their pizza shop everyday at the wake hour to UPS. There are now thousands of companies that don't touch the products anymore they are nothing but marketing shells and they are insourcing their inners to UPS, FEDEX, and DHL. The sixth force of collaboration, I call informing. It's what Google does. Google, MSN, Yahoo. Individuals can not inform themselves. Thanks to google we saw something that we had never seen ever before. So the first three equivalent to the platform of collaboration , the next three, new forms of collaboration, outsourcing, offshoring, uploading, supply chain. What's the tenth? The tenth is what we call st..... It is a way-to-way technology, voice over the internet and far sharing. And what the st..... are doing is all these forms of collaboration, so I can do anyone from anywhere of the world with any device totally mobilly. Those are the ten forces that flatten the world. Let me try to tie this up. Basically, way round to the year 2000 there are three huge convergences to gather round to create the flat world as we know today. And that's why way the round to 2000, you woke up one day and you said to your spouse to your parents, to your kids, to your friends' something feels different. I feel like I have been touched by people who never touches me before. And I feel I am able to touch people who I never touch before. What's your feeling? Your feelings will be

effected by these three factors. The first convergence was all these three factors I have mentioned. They all converged late around in the year 2000. and the complementarities between them all started to work together at a tipping voice. So the insourcing helps the offshoring, then the supply chain. They all kind of melted together into a platform. And it is a global-enabling platform from multiple forms of collaboration, innovation, entrepreneurship, education and unfortunately terrorism is what I want to say, the world is flat. We have created this flat platform for our multiple forms of collaboration. This platform is going to be in the center of everything. Because we are going from the world where the values are created in vertical silos of commanding control to a world where the values are increasingly created by a platform horizontally. You connect and collaborate or from a world vertically to a world horizontal. This, I believe, is gonna the senior time of mother of all inflection points. It's going to change everything. You'll just happen to be around when Goodenbug invented the printer. Because this is going to change everything. There is one rule of this business on the flat world and it goes like this. When the world is flat, whatever can be done will be done. The only question is will it be done by you or to you? That is the rule, whatever can be done will be done. If you have a good idea, promise me don't wait. Because the world is flat, somebody else can have this idea. And either you do it to them or they do it to you. So my wife and I went prove this. One day she said, 'Tommy, I know a guy who now sells pooling dish wears from a small village near Croosko as an individual. He would soon discover the dish wear is cheaper in china, so now he has it made in China and sells them to the small village near the Croosko. Oh that's man understands whatever can be done will be done. And either he does it or it is done to him. So I was in Budapest in March, they did a conference on the world is flat, all these European scholars were yelling at me. The last morning, I was leaving and heading for the Budapest Airport my driver said to me when he met me on the way: ' Mr. Tom, if you have some friends who are coming to Hungary, and they need a driver, please sent them to me or they can log onto my website. 'Your website?' yeah, it's like my name card. So I went to his website in German and English with music. Mr. Baker says,' how do you know you are out of power in Washington DC? You know you are out of power, out of office when your shirt is yellow and your driver speaks . So how do you know you are in the flat world? When your Hungarian driver has a website in Maya German, and English with music. Whatever can be done will be done. T he only question is will it be done by you or done to you? Second convergence is that we are all leaning to be into that world. How to innovate horizontally by connecting and collaborating. When we get through this transition, I think it gets huge boost to productivity. And we went through the same transition when electric vacation happened. But the communists wondered why was it? And Paul who studied economy in Stanford said,' first you have to redesign buildings to get away from tall multi-story buildings. I would argue that I would go into a similar thing now with horizontalization, once he gets away from it, you know, they collaborate differently, we gonna see huge boost in productivity. Now I actually discovered this concept totally by accident when I was working on the book., my oldest daughter goes to school in New Haigen Connecticut. You have to drive 15 minutes to BW airport then take the Southwest airline and then drive one hour to New haigen Connecticut. I could fly to London faster. Never mind, I am a

southwest airliner fan, you don't look like a southwest crowd to me. Southwest airline is a cheaper airliner in America and you may know that you may not get a reserved seat. You just got a ticket which says A B or C, A is board first, B is board second and C is board last. Only thing you need to know about it is that you don't want to be a C and you don't even want to be a B if you carry two bags of spring clothes for your daughter and you don't want to be stuck up in the middle. So I did the E-ticket thing for a couple of times, but just in case I got to BW airport 95 minutes before the flight cause I can be an A, and I took up my visa cards stuff stuck it into the southwest E-ticket machine and out came my ticket and it said B, and I said this is worse than Las Vegas, there is no way I am a B, I am 95 minutes before the flight, there is no way I am a B. I was mad. 45 minutes later, they called the flight, and then I saw them almost As, carrying what looked like to me white bar code printed paper as if they had gone online at 1 am the night before and downloaded it and printed it out their own bar code and boarding cards, for the southwest knew the world is flat, and they could react with their customers horizontally not vertically any more. Any southwest customer can go online and print out their own bar code and boarding pass and take all A seats. I looked at that and I said oh Friedman, you are so 20<sup>th</sup> century, in the globalization we had to go down to the ticket agent to buy the ticket but now we have the E-ticket, and it's cool, then why are you sleeping? You were sleeping and you became your own ticket agent. Look at another one, you are the individual became an employee of south airlines. Or look at another one, you are on time but you are not paying yourself as an employee of Southwest. Have a nice day. So next time, I get smart, I get up at 12:01 AM, I download and print out my bar code boarding pass and arrive at the airport 45 minutes before my flight to the gate. And when I do friends I captured 60 minutes of productivity. That process of capturing 60 minutes is all by interact horizontally, not vertically any more and that process is happening in 1 billion businesses in the main schools, main universities every day now. We get to the other side of it. When we horizontalise ourselves, we're gonna see a huge boost of productivity. That's the second convergence, one of the first convergence, what's going on just out side of the window, is just as we flatten the world, just start to adopt its new habits of horizontal collaboration and innovation vertical, guess what happens? Three billion people opened up and walked down to the playfield when did it lie just when did it flatten. Just when their kids could compete and collaborate with mine more directly and cheaply than ever before. If the simple argument of this book that the convergences of these flatteners into this platform was its horizontalization with these 3 billion new players is gonna define and shape the brief history of 21<sup>st</sup> century. Now let me simply conclude by saying this convergence, the convergence of the creations of the world was completely disguised by politically perfect storm called: 9-11, Anron '.com' bubbles. 9-11 destructed us from the president down to the commentators we were all looking in the other way that the world got flat. And the Anron scandals, CEOs guilty and proven innocent, so who wants to talk to them about what's really going on? And the '.com' bubbles really make people stupid thinking the globalization was over, in fact, it's giving triple charge. So I think doing a book is just like doing a science fiction I'll go on and interview, CEOs and CTOs and CIOs they all knew the secret, they all knew what's going on. And they were doing it like crazy. But nobody told the kids, so

why would I insist the incredibly inflection points in America at least. None of our political leaders were talking about it. So only CEOs CTOs and CIOs, they were just like part people in a science fiction movie. They all knew the secret. But nobody told the kids. In December of the presidential elections in 2004 within the Democratic were debating whether the NAFTA was a good idea. And there were publicans put the tape on the mouth of a chief White House economist, well he said outsourcing made a lot of sense. And they stashed him in the Dick Cheney's basement, never to be heard again. Has anybody seen Paul Brake? So that's the incredible inflection point. No one is talking about it. So I wrote this book ,at least, for two kids, we wrote what kind of the world they've grown up in. I said many times I grew up in Minnesota, my parents used to say': Tom, finish your dinner, people in India and China are starving. And I tell my girls," girls, finish your homework, because people in India and China are starving for you jobs," and the flat world, they can have it. Cause in the flatten world, there are increasingly no categories as American jobs. This just gonna be a job. They will go to the most effective session in some case cheaper but most of them productive work..

So to conclude, I want to share with you some insight of Carly S. Fiorina before she left HP. She said:'Tom, everything we called IT revolution, the information technology revolution is like 20 years. That's just been one of that. What's you're now about to see on this flat world platform is the real IT revolution. So friends, fasten your seatbelts with your seat belts and treat tables into a fixed and upright position because the world is flat. Thank you very much.

The floor is open.

Q:One of the things when I've seen or read through your books is Mr.Goal's film. I wonder if you could say something about the environmental effects of the world being flat.

A: that's a very good question. Actually, that's what I am doing here in China in this trip. I have a chapter in this book named unflattenable. But I do think the flatten means a process, which is the biggest important thing happen today. But I looked up in the chapter, the work had stopped. And to me, the weather, the fogs I think is the biggest threat to the flat world. Because basically when 3 billion people all walk in the virgin of American Green, the microwaves the refrigerator. If we don't find the alternative of fossil fuels, we're gonna break up by choking up and heat up and smoke up this planet so much faster when it's flat. We've never seen so many people going from low pipeline lifestyles to high pipeline lifestyles this quickly. And I happened to believe for China, it's a particular challenge. Cause China has been given very close to that point where you have the wall. You know if you jump out of the airplane 30000 feet high, you can actually think you are flying for about 5 minutes until you are suddenly encountered with the ground. One thing I think China needs to think about whether it thinks its fine. And you suddenly hit the wall because for 30 years you grow 10% but without internalizing, the actual amount of pollutions, waste, metallic. When they come, they say," you are flying." They come here and say it's amazing, you can fly. And you started to think we can fly. You never though internalize in any extra analysis and one day you hear a point you will never believe and all those external pass have to be internalized. Suddenly when you have to

internalize the cost, when your trucks carry 40000 pounds which should only carry 20000 pounds and crack the highways three years after the brand new highways. There are so many problems, the workers with lung problems or the fishes aren't any good because of the weather or the water. You aren't the low cost producer any more. And I think the biggest challenge for China is suddenly you think you are flying but you actually are about to smash the wall and it's gonna be the environmental wall. To think about mother nature she always gets the last laugh. Never mess with mother nature. She'll always gets the last laugh. And so for me, I think the challenges with China is really cutting the edge of the bottom challenge is the leadership here gets it. But I'm not sure whether the others get it. The scopes of the changes required that the actual diplomat, the kind of scaling environmental protections that allow China to grow as the world wants it to, to grow in a sustainable way. And when I come here I find the good news is people get it, they get the problem, but I don't know if they fully internalize what actually needs to be done by internalizing strategies to make well china and in-china. And I'm in favor of the Green China, cause Green China benefits the whole world. That would be a big gift to the whole world. I think this could be the biggest issue on the flat world and I think China is now at the center of this wonder.

Q: I have a question. You have mentioned that when the world is flat, the jobs will go to the most productive places. Now with all the technology, China and India are no longer the mode countries. And you also mentioned most jobs required high education and hard working. So many of these jobs will go out of China. So what happened to the ordinary Americans? What happened to the people in the developed countries where the leaders are connected?

A: Yes, it's a really important question. Actually it's the center of our debate. I wrote my column of Newyork Times yesterday which is called China, scapegoat or Sputnik? We American use China as a scapegoat of the flatten world and we use it as the sputnick which inspired us like 50 years ago to make the infrastructure and education we need to flat the open world. Maybe I can answer your questions in several ways, first of all, we don't know your answer because we've never been through this before. And we know anecdotally the whole cost of waste jobs that would never be competed for, accounting, radiology. And that clearly, according to the economist is now starting to show up in the slow growth of medium wages in the United States. And it's not the average wages, just the medium wages. When Bill Gates walks into a bar, everyone comes to be a millionaire. But the medium wage doesn't change, so the slow growth, in fact the productivity is growing is flattening the world but the wages of medium level in America is not well intended is a sign of the threatening. It started to have some political impact but we don't know is this a transition? Yes, the Chinese wage is going up, the Indian wage is going up and in Bangalore, the wages have tripled basically in the last 24 months. So our wages are not necessarily going up, their wages are going up, so is this a transition or a prominent feature? So that's a question the economists are now debating. We just put that over here. There are two other things I would not believe in. I don't believe in the lump of labour theory. The waste now is a number of labour, so where does the lump of labor theory go? Because what happens when the world is flat is the global economy does grow in size, it gets more complex. This what people don't see. So I

didn't drink coffee in the first 30 years in my life and then I discovered Starbucks. So here is something that didn't exist in the history and suddenly a huge new industry comes called coffee. When I wrote my first book I had a researcher, he sat next to me, I would lay up things to him and he would go to the library to research them. And this book I had a researcher whose name was Google and she could find anything for me instantaneously. I now booked on her again. A whole new industry was created, in other words, there is only a lump of labour if only that everything that's going to be invented has been invented, it actually not happen. So the market is not only growing in size, more Chinese researchers start buying Starbucks so there are more Starbucks upsurge. They also get more complex. So for instance, you have kids? How old? Ten months old. Let's make a date when he is 20 years old and he comes home from college. He or she? He comes all from college and says, 'dad, I decided what I wanna do when I grow up. I want to be a search engine optimizer. You say, 'I sent you to college to be an engineer. I sent you to college to be a doctor and you just want to be a searcher engine optimizer? What the world is that?' would people realize if we go to Google, and we put in optometrist or if we put in eyeglasses and your eyeglass company comes before my eyeglass company. The benefit to your eyeglass company is exponential. So some people get together and all of them search themselves as optimizers. And these companies get mashed up between advertising firms and mathematicians. Who would have thought the medicine advertisers and the mathematicians would be in the same company, and they design formulas to gain the Google to become the number one before you. Google host annual balls for the optimizers who are now in the industry go round up to Google to improve their page rank on Google and Yahoo industry. Whoever thought that these two would get together. So the good news is all the specialties are now expecting another. The bad news is to get a job, you have to lead a marketing or mathematics degree. So the good is more specialties, and the challenge for your kids and mine is about the education to grab a slight of this new science. That's the real challenge. In America, after World War II, our economy is so expanding, Europe is desolate and we did the craziest thing in the world, we did the Martial plan, we rebuilt Europe industrial infrastructure, we created economists to rebuild it. We built it to our competitors. We created the foundations for Airbus, SAP. And what happened? Our living standard grew for 3 straight decades. Because the company got bigger and more specialized at the same time. That's the part people missed. So I still believe in free trade, I still believe in Adam Smith, but maybe the transition of absorbing all these three people, educated people in such a short period of time, we have never been through this. The transitions in a certain industries could be larger than we thought. Bill Gates had said something really struck my mind, he said, 'you know, if you have a choice four years ago, thirty years ago being born a B student in Newyork or a genius in Beijing or Bangalore? 50 years ago, 30 years ago you wanted to be born a B student in Kypsy, you certainly didn't want to be born in the middle of a crazing cultural revolution. When the world is flat you do not want to be a B student in Kypsy you would like to be a genius in Beijing or Bangalore. You now compete, connect and collaborate. So for these reasons, I think we have challenges at our hands. And you China and India have their challenges as well. It's too soon to

tell, that's why there is no prediction in this world, it's changing all the time. I'm just trying to keep up with it.

Q: I'm curious about the social-logical implications of all.

A: Good question. I did a column last week, I just gave you some random thoughts. I was in Paris two weeks ago, I came from Germany to France. I was to attend my French Edition signing of the book and I was met by my French Publisher driver. He went to pick up my bag and I was standing there. He is a French-African and a French-speaking African holding a sign with my name on it and he was talking to himself. As I went up to him he said, 'Sorry, monsieur.' And then he just talked to himself. When the luggage came up, he was still talking to himself. I pointed my bag, and he got the bag off the luggage drag, emotionally default. I followed him into the parking. He put my bags in the trunk and still talked to himself. I got into the back of the car, and said, 'Dear, you know where I'm going? You know my hotel?' he said no, and I took a piece of paper and wrote to him. he stopped talking to himself for a second and then started the car, still talking to himself. I didn't know how he did this, but he had a BMW. He had a video player in the screen, and we drove to Paris. I was sitting in the back seat working on my column. He was driving talking to someone and watching the video. I was in the back seat, writing a column and when he is talking to himself video got so distracted. I found as I closed my computer and put on my ipod. So when I got to the hotel, I did the Maths. Let's see, he was talking to someone the whole way without a stop, watching a video and driving. I was writing a column and listening to my Ipod. So two of us were doing six different things. There's only one thing we were not doing ----talking to each other. When I told the story to one of my friend, he said, ' Tom, that's the end of the taxi driver as a source journalist. You know the story my Shanghai taxi driver told me, you know about the upcoming elections. Forget it, gone. You' re never gonna hear that story again. The taxi driver is too busy.' What you realize is the technology is not just connecting us is also disconnecting us. He maybe have been talking, God blessing, to his parents in Siberia, 6000 miles away but I was 6 inches away and we weren't talking at all. So the technology has the really contradictory effect. There's another thing might happen sociologically troubles me is the sociological things cost continually partial attention. Now we are suffering the disease from the flat world continuous partial attention. We are continuously involved in a serious X which we devoted all the partial attention. And another thing that is happening is we do all the things, Myspace, Face book. I'm afraid whether it gets China yet, but it certainly hits America. 5 years ago, if you Google or go to the Technolody, which is a website you can see who is blogging you. If you put in Tom Cruise, it gets a million hits, but if you put in Tom Friedman, you won't get much. And now if you put in my name and the world is flat in the Google, you'll have 3.9 million hits. And you'll find almost 2 million people are insulting you. It's really hard to read that many insults. After a while, even the most stable person who was as strong as eagle does not get two million trashing you. Here is how we're going. What's your name? Matt. I'll put your name in and see what all your neighbours say about you in Myspace. Matt had a babe over last night. Matt never takes out his garbage. And maybe that babe was your sister, that's your neighbour in their my space told the whole world--- you had a babe over. Go trying to correct that man. So what entering a world will every one be able to hear we are

entering a world where every one can hear a whisper about that. If I got crazy, I would stop doing this. I got completely disconnected. I wrote a book, so I wanted to know what people were saying about it, so I go to technology and some kids are dishing on your book cause they have the sight of your book by their college professor. It's boring. You want to start to argue with them. It's crazy, I'm arguing with some college freshmen, because I can suddenly hear all the things whispered by them. I don't think even the God understands the things about sociology. And what makes that when we all have dogs hearings, when we can all hear anything. You know, it's just the beginning of it. I started to see a lawsuit about my book in Myspace. Literally people write things about their neighbours, because as individuals, this goes global by uploading their opinions. Yes, it's a really good question and I see positive and negative, but I am worried. I am a deeply-connected person. I do not get cellphones, I do not know what messages are, and I will never learn. So don't call me, cause I don't want to live in an age of interruption. This is an age of interruption and I get to write two columns a week and someone is smsing me or PEing me, I can't concentrate. I talked and talked about globalization but I don't walk the walk. I am a deeply-connected person. Thank you for your question.

Q: I want to ask you some issues, but I don't know whether it's important to you. I read your opinions and columns about the American energy, I want to hear how your book relates to it and also the effect of the Mid-term elections of America.

A: on that issue, I am a big believer in the energy independence for a couple of reasons. You know we are in the war of anti-terrorism. One thing for sure is we are funding for them, we fund US army air force with our tax dollars, we fund the Ad Qarders with our energy purchases. There is only one name for that---stupid. Second reason is the world is flattened, if we don't use less energy, fossil fuels and make renewable alternatives competitive we'll have huge problems. The third reason is I do believe the clean power is gonna be the hit industry in 21<sup>st</sup> century, it's gonna be the '.com' industry in the 21<sup>st</sup> century. I know for sure your question is who's gonna dominate this industry. It's gonna be China, Japan, America, Europe? We don't push tough-way relations on our companies we'll end up like General Motors. Well, I don't want to put some high moral standard on you GM. There is another homework, go ahead and one day you'll end up importing higher standard motors from Japan. And the last reason I really want to take on is what I call the first law of petri-politics. It states that the price of the oil and the pace of freedom operate in an inverse relation. So as the price of oil goes down, the pace of the freedom goes up and vice versa. I did it on a foreign policy magazine in march. I did a graph of oil price from 1979 to the present. The bottom said 1991, which accidentally was the day Soviet Union collapsed the oil price is \$16. and the freedom index, Russia, Iran as well as Nigeria. Just in the inverse. As the price went down the pace of freedom just went up. So when the oil is \$20, George Bush looked at himself and saw a good man down there. At \$30, Iran called for civilizations, and at \$60, Iran says the holocaust doesn't exist. So the price of oil and the pace of freedom operate in an inverse relationship. China is blessed, and basically not having the cursing about oil. And the mid-term elections, I don't think they can fit this much. The Democratic is not in the high profile encouraging this issue anymore with the Republican. I lead a hope sort or encouraging them, but I don't have much hope.

Q: it's been said that if a doctor from a hundred years ago walked into an operating room, he would be totally disoriented, but if a teacher 100 years ago walked into a modern classroom, he would be comfortable. What do you think the classroom is like when the world is flat?

A: I try to think a lot about that. My wife teaches first grade in public school system in Melbourne. We talked about this a lot. I'm a big believer that it a good thing if the classrooms look different. Cause I kind of believe in the old time teaching. That elections matter more. Because in the flat world, our kids gonna be interrupted so much more nakedly. All I can control is the software that I built into the computers. Software, citizens, and good human beings. So when they are being interrupted, I can walk around, making the judgment. Long time ago, every modem sold in America with a warning from a certain general. It would say, judgment is not included. Because you can't download or upload the fashion way with school teachers with church. I actually believe in the old time stuff. Now I think the fundamental matters more in the flat world. We do the mathematics. I would leave you forward things I think about education, I think that's really important in the flat world. The first thing your school should teach your students is how learn how learn. Cause you know about the outside world, the survival skill is how learn how learn. Everything in the flat world is learned as a 52-year old adult. I learn it in order to stay in my job. So I think it's the most education skill. I had answered one question, 'what course shall I take to learn how learn?' I thought, what a great question. I have not thought about it before. And I gave my answer like this. Here is what I gonna do if I were you. Go to my friends and ask them one question who is your favorite teacher and take their courses. No matter what they are teaching, Russian literature, history? It doesn't matter. Because the first place you learn is how learn, first thing is to learn from a great teacher. A great teacher still matters a lot. Second thing you need to focus on is what I call navigation memorization. Cause when so much things are get searchable, how you actually search, how you navigate these stuff is a skill you' ll have to teach your kids. You have your judgment around navigation, because internet is an open source about untreated and unfiltered information, therefore, the skills that you navigate that are really gonna matter more or less. In this book I have included some mathematical formula which I call CQ+PQ is always greater than IQ. Curiosity quotient +passion quotient will always be more important than intelligence quotient. So the world is flat and the young person can search anything. Doctor Sails said best no one learns better than the curious kids. Last thing is the left brain and right brain, you left brain is competitive learning, mass production, born. Your right brain, synthesizing, creative. When in the flat world, all the things done by your left brain will be done either by your computer faster or by an Indian cheaper. It's a right brain world. How we nurture those right brain skills in our kids? Teaching matters most. Thank you.